

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-06 TRSE-00 ACDA-12 PA-01 PRS-01
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6108
INFO AMCONSUL MONTREAL
ALL OTHER CONSULS IN CANADA POUCH

C O N F I D E N T I A L OTTAWA 00407

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJECT: POLAR GAS APPLICATION PREMATURE

REF: OTTAWA 0026

1. GOC ENERGY OFFICIALS IN OTTAWA BELIEVE POLAR GAS COMMITTED SERIOUS TACTICAL ERROR IN TIMING OF ITS RECENT APPLICATION TO NATIONAL ENERGY BOARD (NEB). MID-DECEMBER APPLICATION COULD HARDLY HAVE COME AT MORE DIFFICULT TIME.

2. HOST OF COMPETING ENERGY POLICY ISSUES ARE DRIVING POLAR GAS APPLICATION TO LOWEST LEVEL OF PRIORITY IN GOC REGULATORY PROCESSES. NEB DIRECTOR-GENERAL OF OPERATIONS A. BOYD GILMOUR TOLD ECONOFF THAT PARTIAL APPLICATION SUBMITTED BY POLAR GAS COVERS ONLY PIPELINE FACILITIES. BEFORE BOARD SETS ACTUAL HEARINGS, IT WANTS TO LOOK AT SUPPLY AND DEMAND DATA WHICH POLAR GAS HAS NOT YET DEVELOPED. BOARD WILL NOT BEGIN SERIOUSLY TO INQUIRE INTO QUESTION OF PIPELINE FROM HIGH ARCTIC ISLANDS UNTIL IT FINISHES CRUDE OIL SUPPLY AND DEMAND INQUIRY ANNOUNCED BY
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ENERGY, MINES AND RESOURCES (EMR) MINISTER ALASTAIR GILLESPIE JANUARY 16. OIL INQUIRY WILL NOT BE COMPLETED UNTIL SEPTEMBER 1978 AT EARLIEST (SEE SEPTTEL). OTHER POLICY PROBLEMS CROWDING OUT SERIOUS GOC CONSIDERATION OF POLAR GAS PIPELINE ARE: ALBERTA GAS SURPLUS, PENDING ALASKA HIGHWAY GAS PIPELINE LEGISLATION, AND DEMPSTER PIPELINE FROM MACKENZIE DELTA.

3. POLAR GAS IS ALSO STILL FAR SHORT OF FINDING RESERVES REQUIRED TO JUSTIFY PIPELINE AND FACES POSSIBLE COMPETITION FROM RIVAL PROPOSAL TO SHIP LNG FROM HIGH ARCTIC IN ICE-BREAKING TANKERS. TO COMPLICATE PICTURE FURTHER, PETRO-CANADA, GOVERNMENT REPRESENTATION IN POLAR GAS CONSORTIUM, BELIEVES APPLICATION IS PREMATURE AND IS THEREFORE NOT ACTIVELY PARTICIPATING IN REGULATORY APPLICATION. (IT CONTINUES TO SUPPORT FEASIBILITY STUDIES, HOWEVER.)

4. PARTICULARLY TROUBLING TO SOME FEDERAL OFFICIALS IS THAT APPLICATION HAS ALREADY STIMULATED PRESSURE FROM INUIT TAPIRISAT AND PUBLIC INTEREST GROUPS ON DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS TO HOLD BERGER-TYPE INQUIRY ON EASTERN ARCTIC DEVELOPMENT AS SOON AS POSSIBLE. YET, IF PIPELINE IS NOT TO BE BUILT UNTIL LATE 1980'S OR 1990'S, PUBLIC HEARINGS IN 1978 WILL PROBABLY HAVE TO BE REPEATED IN 1980'S AT TREMENDOUS INCONVENIENCE AND PUBLIC EXPENSE.

5. AS A RESULT, GILMOUR AND HIS COLLEAGUES AT EMR "ARE IN NO GREAT RUSH" TO CONSIDER POLAR GAS APPLICATION. NEB WILL PROBABLY NOT START HEARINGS UNTIL 1979 WITH DECISION POSSIBLY IN 1980. GILMOUR ATTRIBUTES UNTIMELY POLAR GAS APPLICATION TO CONSORTIUM'S NEED TO DEMONSTRATE AT LEAST MINIMAL PROGRESS ON REGULATORY FRONT WHILE CONTINUING TO

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SPEND LARGE SUMS ON EXPLORATION IN HIGH ARCTIC. ENDERS

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